



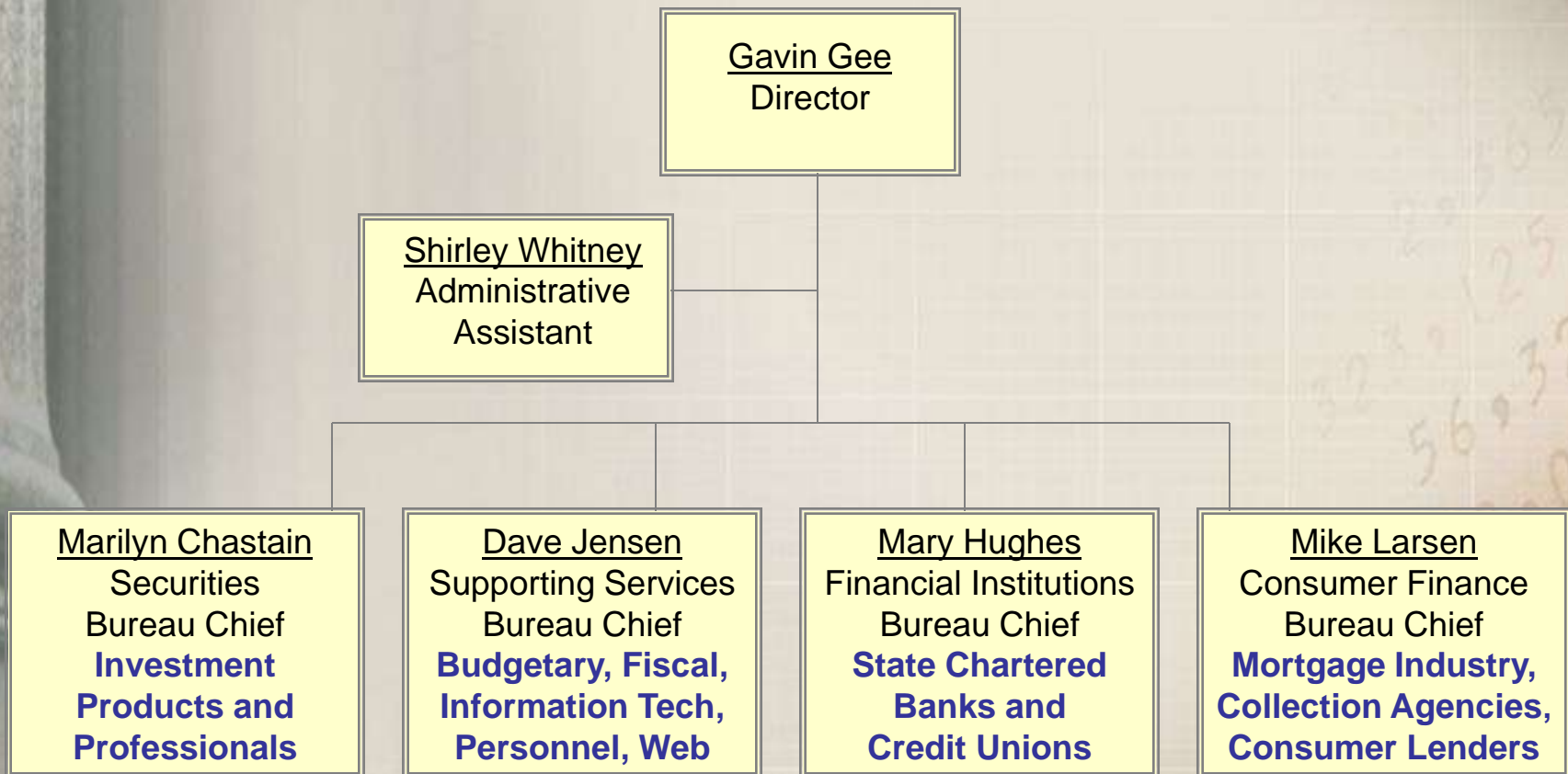
IDAHO

DEPARTMENT OF FINANCE

FY2013 Budget Presentation

Idaho Department of Finance

Organizational Structure



Idaho Department of Finance

Important Facts:

The Idaho Department of Finance administers the following 23 laws:

Idaho Bank Act
Idaho Bank Holding Company Act
Idaho Interstate Banking Act
Idaho Interstate Branching Act
Idaho International Banking Act
Idaho Trust Company Act
Idaho Savings Bank Act
Business & Industrial Development Corporation Act (BIDCO)
Idaho Credit Union Act
Idaho Money Transmitters Act
Idaho Credit Code
Idaho Mortgage Company Act
Idaho Collection Agency Act
Idaho Securities Act
Idaho Residential Mortgage Practices Act
Business Combination Act
Control Share Acquisition Act
Idaho Commodity Code
Endowment Care Cemetery Act
Continuing Care Disclosure Act
Idaho Escrow Act
Idaho Financial Fraud Prevention Act
Idaho Loan Broker Statutes



Idaho Department of Finance

Important Facts:

The Idaho Department of Finance regulates the following industries:

- commercial banks
- savings banks
- bank holding companies
- credit unions
- trust companies
- securities issuers and brokers
- residential mortgage originators, brokers & lenders
- investment advisers and sales personnel
- endowed care cemeteries
- business and industrial development corporations
- consumer finance companies
- collection agencies
- money transmitters
- corporate take-overs
- independent escrow companies



**Teller window at
Boise City National Bank
in 1888**

Idaho Department of Finance

General Fund Transfer



\$5,235,148

Transferred to General Fund

For FY 2011

Idaho Department of Finance

2011 Legislative Audit

- Fiscal Years 2009 – 2011**
- No Findings**
- No Recommendations**
- No Findings or Recommendations
in Prior Audit.**



Idaho Department of Finance Financial Institutions Bureau

- **“Chartering” the Choices:**
 - State or Federal
 - Since 1979:
 - 20 NEW banks chose State Charter
 - 1 bank chose Federal Charter
 - Since 1997:
 - 16 converted to State Charter
 - 2 converted to Federal Charter
 - Change charter at any time if healthy



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2011 Conversion to State Charter



\$72 Million



\$1.2 Billion

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Financial Institutions Bureau

On Site Examinations



Off Site Monitoring and Oversight



Idaho Department of Finance Business Recruitment and Retention

Financial Institution Plan

Key Role in Economic Recovery



Department Coordinates With:

- Governor's Office
- Department of Commerce
- Industry
- Business

Stable Financial Institutions

Essential to Business Growth

Stimulate Development in Communities
Across Idaho

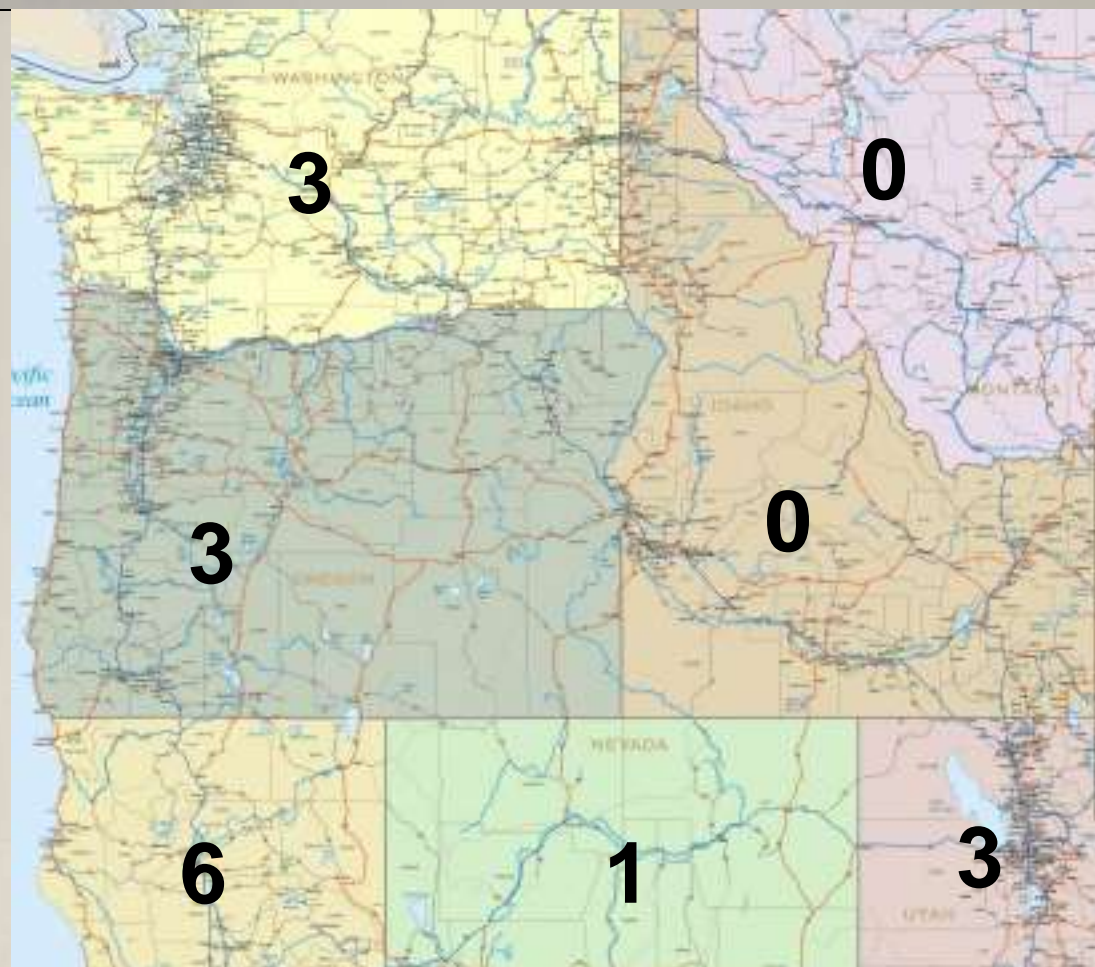
Western Region

Bank Closures 2008-2012

STATE	2008	2009	2010	2011	2012	Total Failures
California	2	17	12	4	0	35
Washington	0	3	11	3	0	17
Arizona	0	5	4	3	0	12
Nevada	1	3	4	1	0	9
Colorado	0	3	0	6	0	9
Oregon	0	3	3	0	0	6
Utah	0	2	3	1	0	6
New Mexico	0	0	1	1	0	2
Wyoming	0	1	0	0	0	1
Idaho	0	1* (Fed)	0	0	0	1
Alaska	0	0	0	0	0	0
Hawaii	0	0	0	0	0	0
Montana	0	0	0	0	0	0
TOTAL WESTERN STATE FAILURES	3	38	38	19	0	98
TOTAL NATIONWIDE FAILURES FOR YEAR	8	140	157	92	7	404

*First Bank of Idaho, a federally chartered and regulated thrift institution in Ketchum, failed 4/09 ; FDIC was receiver.

Pacific Northwest Region Bank and CU Closures 2011



92 Nationwide Bank Failures in 2011

Idaho Department of Finance

Critical State Role

- Twice as Many On-Site Examinations
- Heightened Off-Site Monitoring
- Increased Meetings with Bank Officials
- Imperative to Include State Examiners
- Elements of Department's Mission
 - Ensure Safety of Financial Institutions
 - Preserve Local Financial Institutions



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Federal Hiring Response

- Consumer Financial Protection Bureau
Hired 750 people (1,000 more 2012+)
- FDIC Hired 1,600+ Employees since '09
- SEC & CFTC Hiring 2,000 by October '12
- Increased Frequency of Examinations
- Examiners Often Recruited From States



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Strategic Workforce Development

- Staff Succession Planning
- Interviewing
- Training
- Testing
- Grade Increase
- Retention



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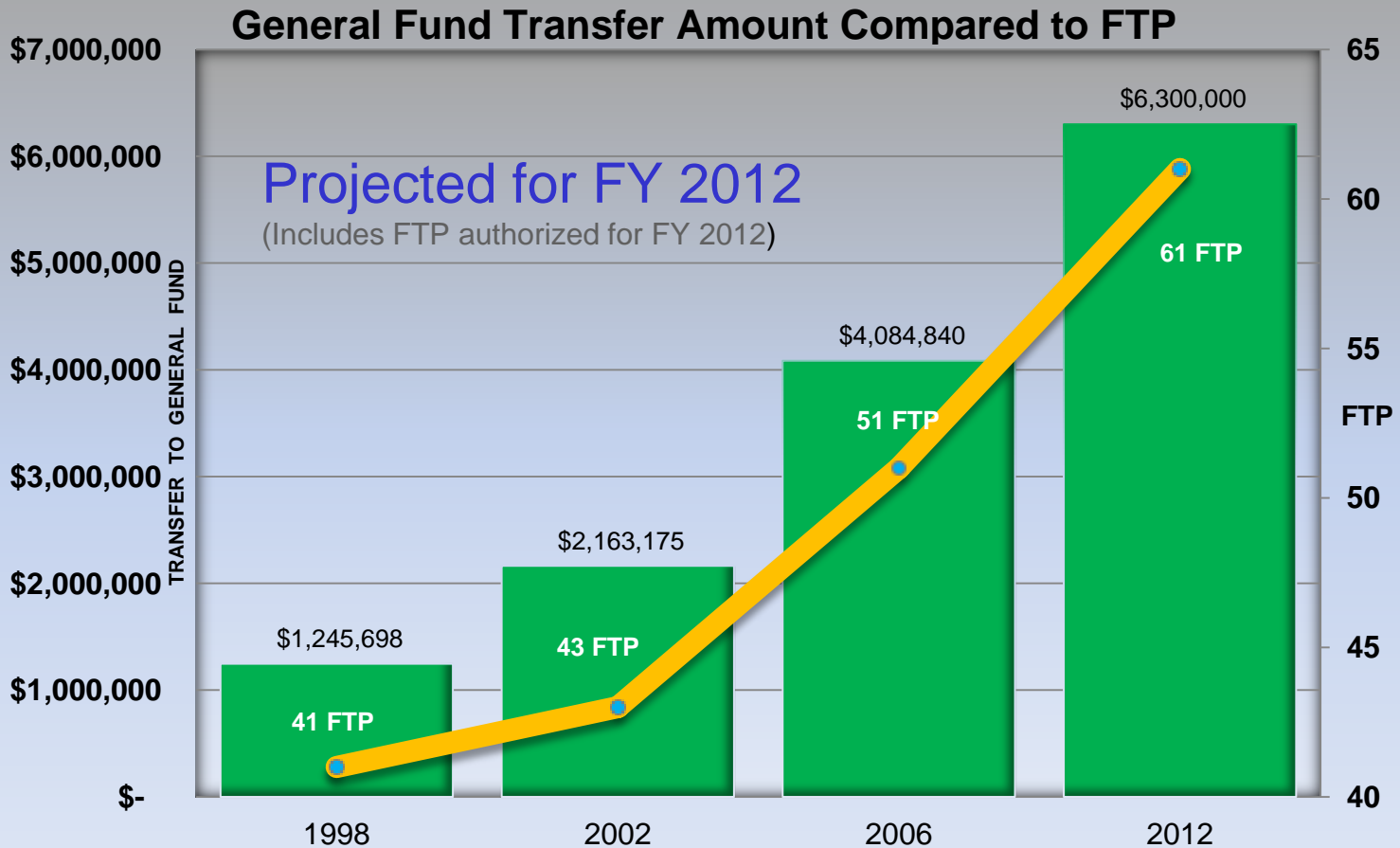
DU.01 – Dedicated Compliance Examiner

- 1 FTE, On-going Operating, One Time Capital
- Compliance Examinations have Increased in Frequency, Complexity, and Importance
- Dedicated Funds;
Industry Pays for Expertise
- Industry Appeals for Greater State Participation



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FTP Increases General Fund Transfer



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DU.02 – Financial Examiner Salary Increase

- January to June 2011 – lost 30% of Bank Examiners
- Federal Agencies Often Hire Experienced Examiners From States
- Goal is 9 of 16 Financial Institution Examiners to Policy; About Half of the Commissioned Positions
- Dedicated Funds; Industry Pays for Expertise and Expects Seasoned Examiners w/ Good Judgment



Idaho Department of Finance Securities & Consumer Finance

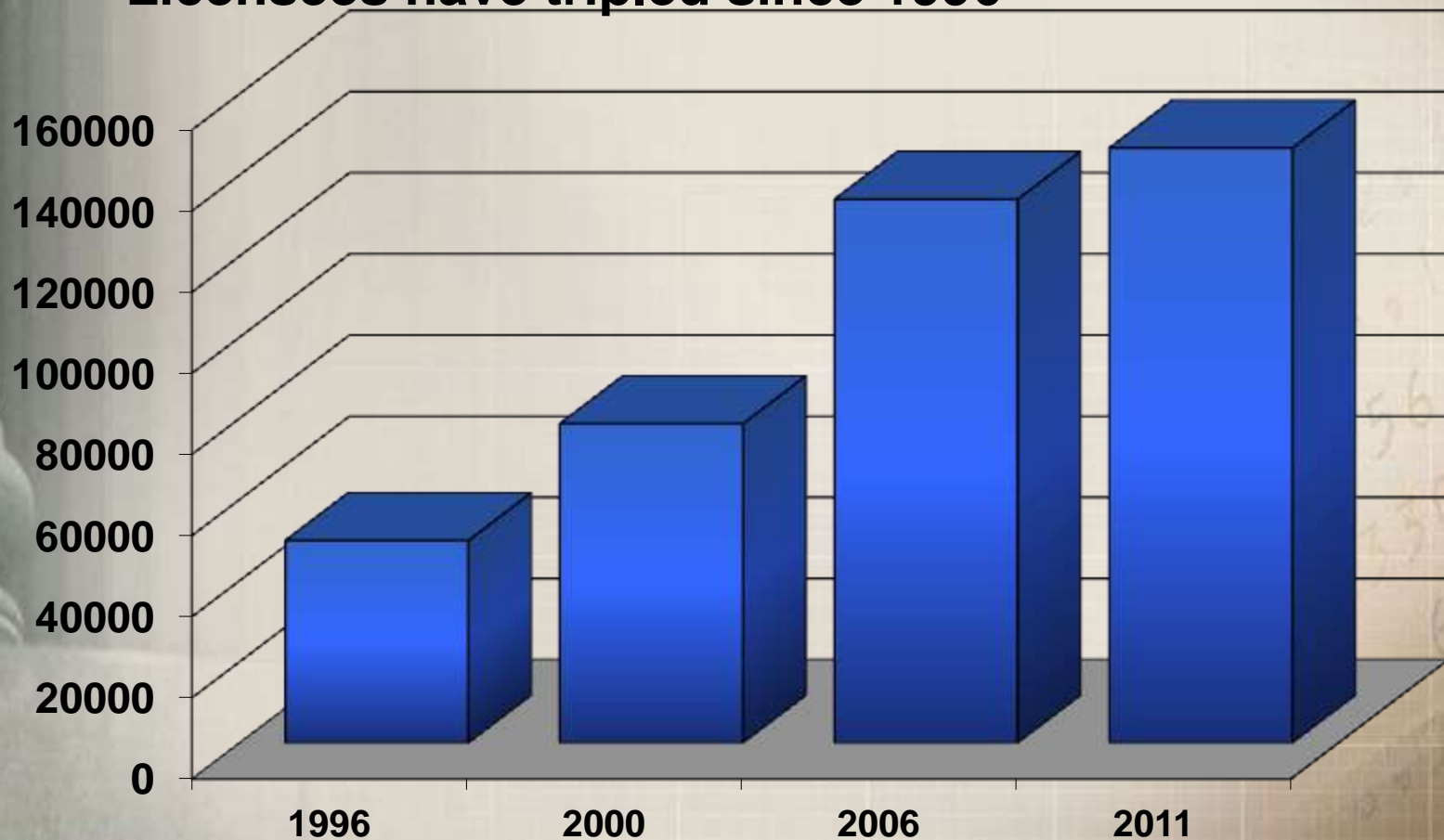


- Broker Dealers
- Investment Advisors
- Agents of the Above
- Mortgages
- Collection Agencies/Agents
- Regulated Lenders

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Individuals and Businesses Regulated

- 149,341 regulated entities or individuals in 2011
- Licensees have tripled since 1996



Idaho Department of Finance

Issues and Challenges

- Major Examinations & Investigations
- Most Complex Cases In Our History
- Multi State
- International
- Extraordinary Costs



NAME: _____

Roll Number: _____

DATE: _____

QUESTION 1: (10 marks)

Explain the following terms: (5 marks)

(a) **Stress** (2 marks)

(b) **Strain** (2 marks)

(c) **Modulus of Elasticity** (1 mark)

(d) **Poisson's Ratio** (1 mark)

(e) **Factor of Safety** (1 mark)

ANSWERS: (10 marks)

(a) **Stress** is the internal force per unit area acting on a material. It is denoted by σ and measured in N/m^2 or Pascals (Pa).

(b) **Strain** is the deformation of a material under stress. It is denoted by ϵ and is a dimensionless quantity.

(c) **Modulus of Elasticity** is a measure of a material's resistance to being deformed elastically. It is denoted by E and measured in N/m^2 or Pascals (Pa).

(d) **Poisson's Ratio** is the ratio of the lateral strain to the longitudinal strain. It is denoted by ν and is a dimensionless quantity.

(e) **Factor of Safety** is the ratio of the ultimate strength of a material to the working stress. It is denoted by FOS and is a dimensionless quantity.

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Robo-Signing Settlement



- Foreclosure Process Improvements
- Borrowers' Principal Reduction
- 5 Nationwide Mortgage Servicers



-\$1 Million Fine Payable to DOF

-\$100 Million to Idaho Homeowners

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NMLS Update



Regulator Tools

- Uniform Applications
- Criminal Background Check

Consumer Access

- Public View of Public Data
- 24/7



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Contributions to the General Fund

Amounts transferred to General Fund since 1994

FY 1994 \$1,857,894
FY 1995 \$1,515,979
FY 1996 \$1,116,622
FY 1997 \$1,566,709
FY 1998 \$1,245,698
FY 1999 \$1,694,295
FY 2000 \$2,241,970
FY 2001 \$2,263,362
FY 2002 \$2,163,175
FY 2003 \$3,010,834
FY 2004 \$5,979,863
FY 2005 \$4,084,840
FY 2006 \$4,585,916
FY 2007 \$5,489,698
FY 2008 \$5,177,296
FY 2009 \$5,560,498
FY 2010 \$5,956,610
FY 2011 \$5,235,148

TOTAL (FY 1994 - FY2011):

\$60.9 Million

(FY2012 Expected to be a Record)

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Maximum Leverage From IT



Federal Bank Examination Software

- ETS, Genesys, Alert, Aires, Bond

– Cost Saving Virtual Servers (VM Ware)

- 3 New Servers do the work of 8 Old Servers

– 60+ Specialized Internal Programs

- Secure Email
- Remote Users
- NMLS / CRD / IARD Reconciliation
- Full SharePoint Services



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e-Commerce

- Capability to accept 95% of licensees and applications on-line
- NMLS, WebCRD, IARD
- 24 hours a day / 7 days a week
- DOF Internal Systems Reconcile Revenue from the above National Systems



Any Comments or Questions?



IDAHO
DEPARTMENT OF FINANCE

Protecting the Integrity of Idaho Financial Markets Since 1905